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No. 97-1395

IN THE

# Supreme Court of the United States

OCTOBER TERM, 1997

PETRO STOPPING CENTERS, L.P.,

*Petitioner,*

v.

JAMES RIVER PETROLEUM, INC.,

*Respondent.*

Petition For Writ of Certiorari
To The United States Court of Appeals
For The Fourth Circuit

## REPLY BRIEF

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## REPLY BRIEF

Petitioner, Petro Stopping Centers, L.P. ("Petro Centers") hereby replies to new issues asserted by Respondent, James River Petroleum, Inc. ("James River") in its brief in opposition to the petition for writ of certiorari.

Park 'N Fly Is On All Fours With the Present Case

James River asserts that in assessing the benefits flowing from an incontestable mark this Court in *Park 'N Fly v. Dollar Park and Fly, Inc.*, 469 U.S. 189 (1985) "did not consider any issue regarding likelihood of confusion". Based upon that position, James River argues that the precedent set in *Park 'N Fly* is inapposite here. *See*, Respondent's Brief in Opposition ("Resp. Br.") p. 16. Such a claim is plainly wrong. This Court clearly held in *Park 'N Fly* that an incontestable mark could be used both defensively to prevent

cancellation of the federal registration, and "offensively." *Id.* at 196 and 203 – 205.

Proving likelihood of confusion in a trademark action is the only conceivable way in which an incontestable mark can be used "offensively." *Id.* at 196. Neither James River nor the courts below point to any other method by which "offensive" use could be made of an incontestable mark. James River's view, shared by the courts below, allows only defensive use of incontestable marks - - a position clearly and unequivocally rejected by this Court in *Park 'N Fly*.

In *Park 'N Fly*, as here, this Court squarely faced the issue of whether an incontestable mark could be found descriptive in the likelihood of confusion analysis. The **PARK 'N FLY** mark was displayed in its incontestable federal registration with a design element, thus:

The incontestable **PETRO** mark is displayed in incontestable Registration No. 1,606,012, at issue here, thus:

In *Park 'N Fly*, this Court indicated that the presence of a design element in an incontestable registration did not affect strength of the word portion of the mark. *Id.* at 192. Here, as in *Park 'N Fly*, the background colors shown in Registration

No. 1,606,012 for the **PETRO** mark do not affect the strength of that mark or the application of the *Park 'N Fly* precedent.

Nothing could be clearer than that the lower courts distorted the meaning of the *Park 'N Fly* precedent in this case. The lower courts here found the **PETRO** mark descriptive despite its incontestable status. This *Park 'N Fly* does not permit. *Id.* at 191 and 203 - 205.

## A Factual Issue May Be Settled As A Matter of Law Pursuant to Statutory Dictates

James River questions whether a factual issue, such as trademark strength or descriptiveness, may ever be influenced or resolved pursuant to the dictates of a statute. *See*, Resp. Br. p. 2. In *Park 'N Fly*, this Court addressed that very issue and found that the dictates of the Trademark Act clearly foreclosed the courts from finding incontestable marks to be descriptive. The Court went on to note:

> Our responsibility . . . is not to evaluate the wisdom of the legislative determinations reflected in the statute, but instead to construe and apply the provisions that Congress enacted.

*Id.* at 203.

In substituting their judgments for that Congress, the lower courts here flew in the face of the doctrine of separation of powers. By ruling as they did, the lower courts encroached on an area (incontestable trademark rights) that this Court found was within the prerogative of Congress to legislate and beyond the discretion of the courts to question.

## The Circuits Are in Conflict

The split amongst the Circuits as to the meaning of *Park 'N Fly* is real. James River's suggestion that all circuit courts have treated *Park 'N Fly* "just as the Fourth Circuit did," (Resp. Br. p. 18) is in error. The position that Petro Centers

advocates is the same as the one adopted by the Sixth and Eleventh Circuits: incontestability must be accepted as an indicator of the inherent strength of a mark in the likelihood of confusion analysis. *See*, Petition for Certiorari ("Cert. Pet.") p. 12.

Petro Centers' position that incontestability provides a trademark owner with the right to claim mark strength in the likelihood of confusion analysis is borne out in the Sixth Circuit's decision in *Wynn Oil Company v. Thomas*, 839 F.2d 1183 (6th Cir. 1988) "*Wynn I*"). Wynn Oil, owner of the mark **CLASSIC** for car care products and the mark **CLASSIC CAR WASH** for car wash facilities, brought suit against Mr. Thomas, who owned car wash facilities operating under the name **CLASSIC CAR WASH** and sold bulk wax under the same name to other car washes. The first part of the court's opinion in *Wynn I* addressed the issue of Mr. Thomas' sales of wax under the **CLASSIC CAR WASH** mark and focused upon Wynn's incontestable registration for **CLASSIC** in connection with car care products. The court concluded that Wynn's incontestable registration "must be considered strong and worthy of full protection." *Id.* at 1187.

Wynn's other mark, **CLASSIC CAR WASH** in connection with car wash facilities, had not yet attained incontestable status, and strength of the mark became "a legitimate issue" in the second part of the opinion. *Id.* at 1190. The contrast is clear; incontestability affords a mark owner additional rights. Petro Centers' argument could not be more clearly supported.

When presented with the opportunity to back away from this position, the Sixth Circuit did not. *See, Wynn Oil v. American Way Service Corp.*, 943 F.2d 595, 600 (6th Cir. 1991)("*Wynn II*"). A review of this decision demonstrates the falsity of James River's incomplete and misleading claim that "*Wynn II* expressly rejects the position advanced by Petitioner, holding that *'Park 'n Fly* did not specifically equate incontestability with strength.'" (Resp. Br. p. 19). The Court in *Wynn II* actually said the following:

> Although *Park 'N Fly* did not specifically equate incontestability with strength, at least one circuit in addition to this circuit has held that when a "mark is incontestable, then it is presumed to be at least descriptive with secondary meaning, and therefore a relatively strong mark."

*Id.* at 600 (citing *Dieter v. B&H Industries*, 880 F.2d 322, 329 (11th Cir. 1989), *cert. denied* 498 U.S. 950, 111 S.Ct. 369, 112 L.Ed.2d 332 (1990)).

Further proving the fact that a split amongst the circuits on this issue exists, the Court of Appeals for the Sixth Circuit *immediately* cited to a decision from the Seventh Circuit for the opposite proposition:

> *But see, Munters Corp. v. Matsui America, Inc.*, 909 F.2d 250, 252 (7th Cir.)(*Park 'n Fly* does not preclude consideration of a mark's strength), *cert. denied*, 498 U.S. 1016, 111 S.Ct. 591, 112 L.Ed.2d 595 (1990).

*Wynn II*, 943 F.2d at 600.

The court in *Wynn II* finished its discussion of the obvious split in authority with the conclusion that no "persuasive argument for abandoning this court's earlier position in *Wynn I*" had been presented and that "this court must follow *Wynn I* as controlling authority." *Wynn II*, 943 F.2d at 600.

Clearly, the Sixth and Eleventh Circuits consider incontestability when analyzing the strength of trademarks. It is just as clear that other circuits, including the Fourth Circuit and the Seventh Circuit, do not, although the position on this issue within the Seventh Circuit is inconsistent. *Nike, Inc. v. "Just Did It" Enterprises*, 799 F.Supp. 894, 897 (N.D. Ill. 1992)(*citing Wynn I* at 1187)(". . . the incontestable status of Nike's federal registrations is also evidence of the strength of the marks.").

The Issue of Third Party "Use" Is Not One Resolved By Federal Rule of Evidence 803(17)

James River does not contest the fact that it completely failed at trial to offer any direct evidence of third party use of "petro" marks or names. *See*, Resp. Br. p. 23. The absence of credible evidence of third party use of "petro" marks enhances the strength of Petro Center's **PETRO** mark. *See*, Cert. Pet. pp. 14-15.

James River now argues that the dearth of direct evidence of third party use of "petro" marks and its reliance upon raw data from commercial and telephone directories is excused by an exception to the hearsay rule found in FED.R. EVID. 803(17). *See*, Resp. Br. p. 23. The provisions of FED.R. EVID. 803(17), however, are inapplicable here since there was no evidence that persons in the trucking or truck fueling business ever used the directories relied upon by James River. The raw data relied upon by James River, even if admissible under a hearsay exception, are not sufficient to demonstrate that the third party businesses shown in the databases are in competition with the parties to this lawsuit. (I.e. there was no evidence as to the fields of commerce in which the businesses were engaged) *See, San Fernando Electric Mfg. Co. v. JFD Electronics Components Corp.*, 565 F.2d 683, 685 (C.C.P.A. 1977); Cert. Pet. p. 15.

It is the trucking or truck fueling business, along with the subset of that business comprised of cardlock and card "swipe" truck fueling facilities, that is at issue in this action. To the extent raw trademark or trade name search data is admissible evidence, that data is limited by the fact that it rarely, if ever, indicates that exact field of commerce in which the third party allegedly operates. Neither does raw data indicate the extent to which relevant consumers are familiar with the third party marks or the extent to which, if at all, the presence of third party marks truly diminishes the strength of a plaintiff's mark in the real-world marketplace.

The "trademark attorney," presented as an "expert" by James River in relation to the issue of third party rights,

admitted that he was not familiar with the trucking industry. He also admitted that he had never attempted to ascertain whether any of the third party "petro" marks listed in the data on which he relied had been used for relevant services. *See*, Joint Appellate Appendix ("App."), p. 325. James River's expert was therefore not competent to testify as to the extent to which third party listings in databases effected the rights of Petro Centers in its **PETRO** mark.

## Appropriate Assessment of Service Mark Strength Would Tip the Balance

Contrary to the assertions of James River, once the appropriate *Park 'N Fly* standard is applied to assess the strength of the **PETRO** mark, the other likelihood of confusion factors would favor a finding of infringement. In particular:

1. The court below found that the parties use the marks **PETRO** and **PETRO CARD**, which are remarkably similar. *See*, Cert. Pet. pp. 19a and 145a-150a.

2. The parties **PETRO** and **PETRO CARD** operations are in direct competition in both the cardlock fueling business and fueling services for truck fleet operators, especially long-haul eighteen wheel truck fleet businesses. *See*, App. A101-A102, A148, A149-A150, A179, A229-A232, A285, A287-A288, A289-A291, A292, A296, A299-A300, A557-A558, A559-A571, A585-A604, A606, A607-A608, A648-A666, A667-A669, A670-A728. In fact, the parties already have some of the same customers. *See*, App. A85A-A87, A148-A150, A216A-A216D, A289-A291.

3. James River has fueling facilities located on sites offering some of the same amenities as those provided at the truck stops of Petro Centers, thereby bringing the nature of two businesses even closer. *See*, Cert. Pet. p.19a; App. A207-A208, A217-A220, A422-A425, A427-A545, A546-A547, A579-A583, A605, A609-A610, A634-A639.

4. Petro Centers presented evidence of actual confusion by consumers. *See*, App. A183, A191-A193, A197, A233. Such evidence is difficult to find and strong proof of likelihood of confusion. *See*, *Communications Satellite Corp. v. Comcet, Inc.*, 429 F.2d 1245, 1251 (4th Cir.), *cert. denied*, 400 U.S. 942 (1970); *Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc.*, 43 F.3d 922, 937 (4th Cir. 1995)(and cases cited therein).

5. James River's efforts to rely upon "fair use" (Resp. Br. p. 20) must fail for two reasons. First, it is a thinly veiled attempt to argue that **PETRO** is generic -- a stance that was rejected by the trial court and not appealed by James River. *See*, Cert. Pet. p. 17a. Secondly, James River is using **PETRO CARD** as a mark to attract business, not in its common descriptive sense. 15 U.S.C. § 1115(b)(4).

In the Fourth Circuit the strength of a plaintiff's mark is the preeminent factor in the likelihood of confusion analysis. Proper deference to the strength of the **PETRO** mark in terms of its inherent nature, its incontestable status, and its marketplace perception tips the balance decidedly in favor of Petro Centers. *See*, *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527, 1533-1534 (4th Cir. 1984).

## First Principles

There are two legs to trademark strength: (a) the inherent nature of the mark; and (b) the marketplace power or recognition of the mark. *See*, *Communications Satellite*, 429 F.2d at 1248; *Pizzeria Uno*, 747 F.2d at 1533-1534; Cert. Pet. pp.14 and 17.

Under the precedents of this Court, trademark strength is initially assessed based upon the inherent nature of the mark for which protection is sought. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768-769 (1992). Marks that are merely descriptive "are not inherently distinctive" and are only entitled to protection if the owner demonstrates that the

mark has attained a secondary meaning. *Id.*; *Park 'N Fly*, 469 U.S. at 194.

Marks that are inherently suggestive, arbitrary or fanciful are stronger and entitled to a wider and greater scope of protection. *Two Pesos*, 505 U.S. at 768. A determination by the Patent and Trademark Office that a mark is not descriptive is "powerful evidence" the mark is at least suggestive, if not arbitrary or fanciful. *RFE Industries, Inc. v. SPM Corp.*, 105 F.3d 923, 926 (4th Cir.), *cert. denied*, __U.S.__, 117 S.Ct. 2512, 138 L.Ed.2d 1015 (1997).

In this case, the Patent and Trademark Office found that the **PETRO** mark was entitled to protection as a suggestive, arbitrary or fanciful mark. That finding of non-descriptiveness became incontestable after five (5) years from the date of registration. 15 U.S.C. §§ 1064, 1065; *Park 'N Fly*, 469 U.S. at 198. The decisions below holding **PETRO** descriptive fly in the face of the conclusive presumptions arising from incontestable registration. 15 U.S.C. § 1115(b).

Under the second leg of the test for trademark strength, the power of the mark in the marketplace, courts look to factors such as the amount of the plaintiff's sales, the nature and extent of advertising, survey evidence, unsolicited publicity received by the mark, and the nature and extent of any third party "dilution" of the plaintiff's trademark rights. *See, Kenner Parker Toys, Inc. v. Rose Art Industries, Inc.*, 963 F.2d 350, 352-353 (Fed. Cir.), *cert. denied* 506 U.S. 862 (1992); Cert. Pet. pp. 14, 16-17. While paying lip service to the billions of dollars in sales and millions of dollars in advertising by Petro Centers, the courts below focused their attention on a single factor in finding the **PETRO** mark to be weak in the marketplace: raw data from trademark and trade name collections that listed third parties that had allegedly adopted "petro" designations.

There was no direct evidence that the third party marks or names offered by James River through the testimony of a "trademark attorney" were actually in use at the time of trial. Nor was there evidence that any of the registrations or

business listings were for "petro" designations used in the truck fueling business. Based upon this scant showing, and ignoring the other elements of marketplace strength of the **PETRO** mark, the courts below found the **PETRO** mark weak.

Under the precedents of the Fourth Circuit, where this action arose, trademark strength is the preeminent factor in the likelihood of confusion analysis. *Pizzeria Uno*, 747 F.2d at 1527. Because the courts below were clearly in error in assessing the strength of the **PETRO** mark, a reversal by this Court on the issue of trademark strength will completely alter the infringement analysis made below and provide Petro Centers with the scope of trademark rights intended by Congress.

## Conclusion

For the reasons aforesaid and those set forth in the Petition, Petro Centers respectfully requests that the Court grant a writ of certiorari in this matter for the purpose of reviewing the decision of the United States Court of Appeals for the Fourth Circuit.

Respectfully submitted,

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